Ontario Oil Gas & Salt Resources Trust

2009
Annual
Report

June 30, 2010

The Honourable Linda Jeffrey
Minister of Natural Resources
90 Wellesley Street West
6th Floor, Whitney Block, Room 6630
Toronto, ON M7A 1W3

Dear Minister Jeffrey,

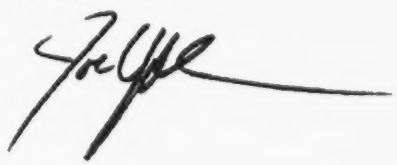
It is my pleasure to submit the 2009 Annual Report of the Ontario Oil, Gas & Salt Resources Corporation. The recently past 2009 fiscal year continued to be a productive year for the Trust. The Trust continued to invest in converting the data that exists in the Oil, Gas & Salt Resources Library to a more modern and accessible digital format. In addition to continuing to operate the Library as a resource centre for the study of Ontario's geological subsurface, our new and expanding portfolio of digital products are assets to attract investment and interest in Ontario's petroleum, natural gas resources, solution mining and hydrocarbon storage industries.

The Oil, Gas and Salt Resources Trust is a non-profit organization, established by the Oil, Gas and Salt Resources Act, which funds information management relating to the oil, gas and salt resources of Ontario. It also funds research, surveys, and laboratory facilities and operations relating to hydrocarbon exploration, drilling, production, the storage of hydrocarbons in geological formations, and the disposal of oil field fluids in geological formations.

The Trust website continues to evolve as a tremendous resource for cost-effectively distributing data and information about Ontario, essentially creating a virtual Library for users to access when and where they want. Furthermore, the staff ensure that requests from our Ontario constituents as well as those from outside of Ontario are promptly fulfilled hoping to do our part to ensure further investment in Ontario's Oil, Gas and Salt Resources.

Our next fiscal will see the development of more digital data products, enhanced outreach to industry and private well owners and a continuously broader geographical coverage of Ontario.

Sincerely,



Joe Van Overberghe
Managing Director
Ontario Oil, Gas & Salt Resources Corporation

Trust Mission and Objectives

The Oil, Gas and Salt Resources Trust is a non-profit organization, established by the Oil, Gas and Salt Resources Act, which funds information management relating to oil, gas and salt resources; and also funds research, surveys, and laboratory facilities and operations relating to oil or gas exploration, drilling or production, the storage of oil, gas and other hydrocarbons in geological formations, and the disposal of oil field fluid in geological formations.

The Trust is funded by, and provides services to, companies and individuals involved in oil and gas exploration, drilling or production; the storage of hydrocarbons in geological formations, the disposal of oil field fluid in geological formations, and solution mining. Services are also available to the general public, universities and other clients on a cost recovery basis.

The Trust manages the Oil, Gas and Salt Resources Library as a resource centre for the study of the subsurface geology and oil, gas, salt, and subsurface storage and fluid disposal resources of all the potential oil, gas and salt-bearing rocks of Ontario.

The Oil, Gas and Salt Resources Trust specializes in the collection, generation, and dissemination of information and knowledge about the subsurface geology and oil, gas, salt solution mining and underground hydrocarbon storage resources of Ontario. It provides its clients in these resource industries with the data they need to conduct their business in the most orderly, safe and efficient way possible, and provides public access to this data at reasonable cost.

The Trust's continuing mandate is to maintain and improve access to existing data, and to develop programs to improve client access to information and to generate new revenue.

ORGANIZATION SUMMARY

The Oil, Gas and Salt Resources Trust was formed by the Ontario Ministry of Natural Resources, pursuant to amendments made to the Oil, Gas and Salt Resources Act in 1997. A Trust Agreement, dated February 16, 1998, was signed with the original Trustee, the Ontario Oil Gas & Salt Resources Corporation and responsibilities for operation of the Library were transferred to the Trustee. The Ontario Petroleum Institute (OPI) is the sole shareholder in the Ontario Oil Gas & Salt Resources Corporation. The Executive of OPI constitutes the Executive of the Trust. The Executive Director of OPI also acts as the Managing Director of the Trust.

Requirements for a Trust Advisory Committee (TAC) exist within the Act and the Trust Agreement. The TAC is a person member committee comprised of four representatives from the oil and natural gas exploration and production industry, and one representative from each of the natural gas storage, hydrocarbon cavern storage, and salt solution mining industry. Committee members are appointed by the Trustee to a two-year term. The TAC meets on a quarterly basis to advise the Trustee on the setting of operating budgets and directing policy with respect to expenditures.

The OGSR Library can trace its origin to the late 1800's, when the Geological Survey of Canada solicited voluntary submissions of drill cuttings and core from oil and gas wells drilled in Ontario and other parts of the country. This informal collection evolved into the establishment of a core and drill cuttings sample processing, storage and study facility in Ottawa. In 1950, a similar facility was established in Calgary and all Western Canada drill cuttings samples were transferred to Calgary. In 1971, the Ontario cores and drill cuttings samples were shipped to the new Petroleum Resource Laboratory in London, Ontario. The lab was owned and operated by the Ontario Ministry of Natural Resources. In 1987, the collection was moved to its current location in a new 600m^2 building located near Highway 401. In 2007 the facility underwent an expansion of approximately 200m^2, providing capacity for an estimated 30 years of continued collection of drill core and samples.

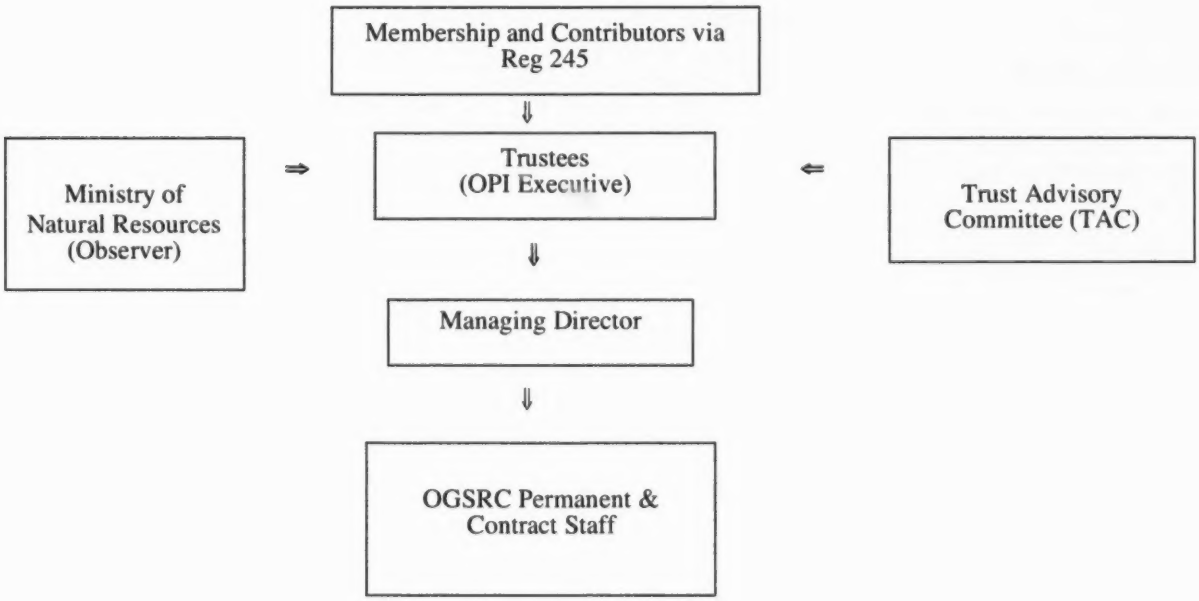
The Library is currently staffed with a full time Administrator and an Operations Technician. In addition, contract and part time employees are busy verifying and updating Ontario's digital data records.

Oil, Gas & Salt Resources Corporation

The OOGSRC is a body led by a partnership representative of all stakeholders in a defined area of economic activity whose mandate includes:

- Oil exploration and production
- Natural gas exploration and production
- Salt solution mining and production
- Natural gas storage
- Cavern storage of hydrocarbon products

The structure of the OGSRC is as follows:


Membership and Contributors via Reg 245
Ministry of Natural Resources (Observer)
Trustees (OPI Executive)
Trust Advisory Committee (TAC)
Managing Director
OGSRC Permanent & Contract Staff

Trust Advisory Committee

1. PRODUCER: Duncan Hamilton, Greentree Gas and Oil:

Greentree Gas & Oil Ltd. is an Ontario-based junior oil and gas exploration and production company. The Company focuses on its core areas in southwestern Ontario, where it continues to explore and develop long-life reserves of natural gas and light oil.

2. LAND: Dale Norman, Elexco Ltd

The Elexco Group of Companies consists of several organizations working together to provide unique Land Consulting and Land Administrative needs to our extensive clientele in North America. A large, well qualified staff has been in place since 1976, and provides a seamless transition from one project phase to another, offering a continuity appreciated by both client and landowner.

3. SALT: Bill Cocchio, Windsor Salt

The Company is engaged in the recovery, processing and sale of salt, and provides over 200 evaporated and rock salt products under its well-known Windsor and Safe-T-Salt brand names. Products made from evaporated salt (salt recovered from brine) are used in household and food products, as well as for agricultural, water softening and industrial purposes.

4. GEOLOGICAL CONSULTING: Neil Hoey

Neil Hoey is an industry consultant working with independent oil and gas exploration and production companies in Ontario

5. STORAGE: Peter Johnston, Union Gas

Union Gas also provides natural gas storage and transportation services for other utilities and energy market participants in Ontario, Quebec and the United States. Union Gas' storage and transmission system forms an important link in the movement of natural gas from Western Canadian and U.S. supply basins to central Canadian and Northeast U.S. markets.

6. PRODUCER: Ron Stinson, Talisman Energy Inc.

Talisman Energy Inc. is an independent upstream oil and gas company headquartered in Calgary, Alberta, Canada. Talisman has operations in Canada and its subsidiaries operate in the UK, Norway, Southeast Asia, North Africa and the United States. Talisman's subsidiaries are also active in a number of other international areas.

7. CAVERN STORAGE: Neil MacDougall, Lanxess Inc.

LANXESS is a specialty chemicals group with world-leading market positions at the core of the chemical industry. Lanxess offers customers the latest know-how, reliable service and a big selection of premium products – in the areas of high-tech plastics, rubber and chemicals.

8. INDUSTRY: Joe Van Overberghe, Ontario Petroleum Institute Inc. (O.P.I.)

O.P.I. is a non-profit industry association which represents explorationists, producers, contractors, geologists, petroleum engineers and other professionals, individuals or companies directly related to the oil and gas, hydrocarbon storage and solution mining industries of Ontario. Fundamental objectives of the Institute are: to encourage responsible exploration and development of the oil, gas, hydrocarbon storage and solution-mining industries in Ontario; to maintain close liaison with government agencies which regulate the industry; to disseminate information relevant to member needs; to promote the legislative goals of the membership and to inform and educate the general public on the significance of the industry to the province of Ontario.

9. GOVERNMENT: Terry Carter, Ministry of Natural Resources

The Petroleum Resources Centre (PRC) of the Ministry of Natural Resources provides governance over Ontario's oil, gas, salt and underground storage industries including policy development and field delivery of licensing, inspection, enforcement and Crown land tenure programs. The PRC collects and manages well and production data, subsurface geological information and houses a drill sample and core library which is operated in partnership with Ontario's oil, gas, salt and underground storage industries.

CORPORATION DATA

Resources

The Oil, Gas and Salt Resources Library houses resources and data available for study including drill cuttings samples from over 13,100 wells; cores from over 1,000 wells; file information on over 27,000 wells, including geophysical logs, formations tops, well history and construction, oil/gas/water zones, initial completion results, core analyses, oil/gas/water analyses; an extensive collection of reference books, periodicals and reprints on the subsurface geology and oil, gas, salt and subsurface storage resources of Ontario.

Digitizing of geophysical well logs: completion of the second contract from OGS yielded 2,100 new digital logs in LAS format, in addition to 1,000 already completed and 3,600 scanned images of logs. 600 Sonic logs remain to be digitized as a potential project.

OPDS data entry project: complete with a total count of 27,000 wells on record, stand by for 2nd phase "Data Integrity."

A completely new project is the Oil & Gas Production Module: all 65,000 annual production reports scanned, Operator name and year registration complete between 1992 and 2007, 20% of wells registered with a licence number between 1992 and 2007. Current project under contract from MNR requires complete well production history between 1992 and 2007.

Services

The Library is visited by industry participants to view data files relating to wells drilled in Ontario (i.e., well cards, production information, plugging information, etc); to view core and drill cutting samples for wells drilled in Ontario; to view maps of well locations; and to view open file reports on the industry. Clients can review materials in the Library, and if relevant, take copies of the data files for studying outside of the Library. An ArcGIS workstation is available for client use and is equipped with MNR's proprietary PetroGIS software for performing spatial queries on the digital petroleum well database and with Surfer 8 © digital gridding and contouring software for subsurface geological mapping. The Library also provides a drill cutting sample preparation service, and a core cutting service.

The Library also operates a dynamic website (www.ogsrlibrary.com) which contains summaries of reference materials in the Library, and a growing list of regularly updated reports (i.e., drilling activity reports, new well licences). This information includes 3,600 scanned geophysical well logs.

Basic digital petroleum well data for all counties is posted to the Library website for complimentary downloading (basic well location and historical data). A set of enhanced and value-added subsurface data for all counties is available for purchase. The website is continually updated with verified county data and digital data products. Library staff utilizes this digital data for plotting sophisticated maps which combine different data types including well locations, bedrock geology, bedrock topography, oil and gas pools, digital elevation model for Ontario, etc and incorporating results from data queries and filters.

MARKETING STRATEGY

The Trust focuses on four geographical markets; Ontario, Alberta, and the mid-western and northeastern USA. The target client is usually the operator of oil, gas, solution mining, natural gas storage, oil field fluid disposal or petroleum product storage wells in the province of Ontario, or a consultant providing services to these operators. Outside of Ontario, the target clients are resource exploration companies considering new locations for investment or activity. Principal focus will continue to be providing information services to the oil, gas, salt, and hydrocarbon storage resources industries which include the operators, service providers, consultants, government and academics.

The OGSRL will also look to support Ontario's environmental issues resolutions. It is believed that with the many changes in water protection legislation, in particular the Clean Water Act; there is a market within this industry for the knowledge and products available at the OGSRL. Environmental geoscientists in the Association of Professional Geoscientists Ontario are also potential clients for the Library's data services. Further, the OGSRL will be able to support initiatives under the Brownfield Legislation regarding location history for all projects.

Other marketing opportunities include the OPI "Ontario Oil and Gas" magazine that was released in mid 2008 at the Calgary World Oil Expo. The magazine had a distribution of 12,500 copies beyond the core Ontario market. Its articles are still being used in 2010.

A second marketing opportunity will be the Industry Economic Report that will be updated for 2010.

Continued concern for CO_2 may also play a role in the marketing strategy as there is potential for limited carbon dioxide sequestration opportunities in Ontario. We will be targeting federal and provincial opportunities as they avail themselves. We will be working with industry in search of support for these opportunities.

Further opportunities are in those industries beyond oil and gas. These include geothermal opportunities and ground water that is being explored as this report is being written.

The Oil Gas Salt Resources Corporation will be attending the following regional conferences and events in Fiscal 2010 along with the Ontario Petroleum Institute.

- The OPI Conference : Location Niagara Falls, ON
- AAPG - Eastern Section: Location: Kalamazoo, MI
- Ontario Ground Water Association: Location Niagara Falls, ON

The Oil Gas Salt Resources Corporation attended the following regional conferences and events in Fiscal 2009 along with the Ontario Petroleum Institute (OPI).

- The OPI Conference : Location Sarnia, ON
- American Association of Petroleum Geologists - Eastern Section: Location: Evansville, Indiana
- The Michigan Oil and Gas Conference: Traverse City, MI

Pricing Strategy

The Trust has three main sources of revenue; well licence fees based on oil/gas production and/or well type, drill sample processing fees, and client service and publication fees. Well licence fees are collected by the MNR under the requirements of the Oil, Gas and Salt Resources Act and O.Reg. 245/97 and are due by February 15 of each year. Sample processing fees are required to be submitted to the Library by well operators when drill samples are delivered to the Library. Well licence fees are mandated by O.Reg. 245/97 and sample processing fees are mandated by the Provincial Operating Standards. Rates are set by the MNR in consultation with industry and the Trust Advisory Committee. These fees provide the stable funding needed to ensure the long-term success of the Trust.

Fees identified in the Oil, Gas and Salt Resources Act may be reviewed by the Trust Advisory Committee who can make recommendations to MNR for any changes. Client service fees are set by the Trust Advisory Committee and are reviewed on an annual basis.

User service fees are priced to promote access to information and knowledge by a wide cross-section of clients and to increase the overall client base. Daily and weekly fees are priced higher to encourage regular clients to purchase Annual Memberships. Fees for students and academics are offered at very low rates to encourage the use of the Library's resources and provide future membership value. Publications and programs initiated by the Trust will be priced to recover all printing, distribution, and preparation costs.

As more and more digital products come on-line, pricing recommendations will be based on a cost-plus-sustainability approach as well as competitive pricing reviews.

A new fee table was submitted in early 2010 for consideration by the crown.

Promotion Strategy

The Library will continue to focus its efforts on collecting and preparing information for publication in 2010. The Library will promote its services in two key areas: 1) building general awareness of the Library's resources and mandate among current users and lapsed users within the target groups; and 2) targeting all potential user groups, including those in Source Water Protection and Brownfield about the Library's digital publishing progress and the interim steps the Library is taking to organize and publish its data. The objective is to ensure all potential users view the Library as the best one-stop vendor for all Ontario data and information

Distribution Strategy

Clients presently and in the past obtained data and information by personal visits to the Oil, Gas and Salt Resources Library, and by telephone inquiry. Telephone inquiries are usually followed up by mailing or faxing of file information, maps or publications and invoicing for service fees.

As more and more information is available in digital form, the increased Internet use, as a distribution method, becomes more important. Digital files are mailed on CD, e-mailed over the Internet, or more commonly downloaded from the Library's website. Content on the Library website continues to grow, and will remain a priority for publishing new information, for marketing new information, and for presenting existing information in more accessible formats. Digital requests now exceed walk in requests for data.

Strategic Alliances

The Trust will continue to have close working and business relationships with the Petroleum Resources Centre of the Ontario Ministry of Natural Resources, and the Ontario Petroleum Institute. OPI will continue to provide strategic and marketing advice and avenues. The Library participates in all OPI functions and continues to develop a strong partnership with the Ministry of Northern Development and Mines, through its contacts at the Ontario Geological Survey. The Trust will also take advantage of strategic alliances with Geological Survey of Canada as we have in the past with projects like the Targeted Geosciences Initiative of 2004-06

FINANCIAL OBJECTIVES

The Trust's financial objective continues to be to build a reserve fund equal to one year of expenditures. After that time fees and services will be reviewed and revised. This reserve will serve as a contingency against fluctuations in well licence fee revenue caused by hydrocarbon production declines or unforeseen expenditures.

In 2009, there was progress towards meeting this financial objective due to a projected surplus but the objective was still not met. The OGSRT was originally projected to have a small loss for the 2009 fiscal year, but has a surplus as a result of fee revenue from joint projects funded by both MNR and OGS. Key to this surplus was data sales to industry. The Trust is expected to break even in 2010. Projected completion of the well data digitization program will reduce costs, but this will be offset by a long-term trend of decreasing revenue from sample processing fees and well licence fees due to decreasing oil and gas production and the drilling of fewer wells, and expected increases in rental payments to the Ontario Realty Corporation.

Projected completion of the well data digitization program will reduce costs, but this will be offset by a long-term trend of decreasing revenue from sample processing fees and well licence fees due to decreasing oil and gas production and the drilling of fewer wells, and expected increases in rental payments to the Ontario Realty Corporation.

User fees and data/publication sales historically contributed only 10% of the operating revenue of the Trust. The Trust initiated a strategy to mitigate declining well-related fees by augmenting with increased user-related fees of 20% of revenues. This strategic target was and continues to be exceeded.

The fiscal year of the Trust begins January 1st of each year and ends on December 31st. All licence fees are to be paid by February 15th, representing the previous year's production. The Trust extends credit to Members only; all others pay with cash, cheque, MasterCard or

ONGOING INITIATIVES

Well logging and digitization

This project was completed in 2009. The project results are hoped to be used in the marketing of the Ontario industry in upcoming magazines.

Seismic Shot Lines

No progress was made on this proposed initiative in 2009 due to other commitments. When resources permit staff will be working on a plan to capture historical shot lines to prepare a map of seismic shot lines for the province. However we are now hopeful that we will be able to recover some historic lines over the next fiscal year

Log Digitizing

TGI research provided budget for hardware/software to scan and digitize hard-copy geophysical well logs, plus some funding for personnel to acquire select project logs
Staff have been trained on digital acquisition, and can digitize logs upon client request. A fee is charged for this work. There is a continuous review of current digital data pricing. There are on-going request to ensure that digital log submissions are part of the next Operating Standards update. To date there are in excess of 3600 geophysical well logs have been scanned and catalogued as TIFF files and 3000 well logs have been digitized as LAS files.

Digital Data Publishing

The Trust will continue to work in partnership with the MNR to build, maintain and market a digital database of geological and engineering information on wells drilled in Ontario. The Trust will be the data vendor for information on Ontario oil, gas, salt and storage resources, based on the Data Resale Agreement with MNR.

i) Current Activity

- MNR has an operational database of all licenced wells in Ontario within the Ontario Petroleum Data System (OPDS). All new wells and well information, with the exception of production information, are entered into OPDS. The Library, in conjunction with MNR, has populated the database with old well information and files.
- On a county-by-county basis, the Library has been harmonizing the data between MNR's source well files and the Library's public access files, and at the same time verifying data in OPDS. Once a county has been reviewed, staff have been checking and realigning well location data.
- Sale of value-added subsurface data from OPDS by the Library began in 2003 and I continued through 2009. Data consist of geological formation tops, logging records, and oil/gas/water interval records.
- A data sharing agreement has been signed between the MNR Information Access Section and the Ontario Oil Gas and Salt Resources Corporation. The agreement allows Corporate Members of the Oil, Gas and Salt Resources Library to use MNR Digital Base Maps.

ii) Future Activity

- Well production history is one of the most sought after items by our users. It is the Libraries goal to move forward on this project to produce a digital dataset on well production history. This project will be intensive, as it will bring to life many thousands of forms in a digital format.
- Data verification and updating of well location and subsurface data was on-going in 2009. This project will continue forward in 2010. Quality assurance testing of the edited data set will continue to identify and correct remaining errors.
- New GIS layers are being added to the NRVIS digital base maps by MNR. These layers are spacing orders, designated gas storage areas, unit areas, and historical oil fields.
- Resale data agreements need to be negotiated with local, national or international vendors to market Ontario data
- Further cooperative projects are proposed with the Ontario Geological Survey, which would improve the quality of subsurface geological data in the database.
- Recently Completed:
    - Log digitizing: completion of the second contract from OGS yielded 2,100 new digital logs in LAS format and 3,500 scanned images of logs. 600 Sonic logs remain to be digitized as a potential project.
    - Main data entry project: complete with a total count of 27,000 wells on record, stand by for 2nd phase "Data Integrity"
    - Production Module: all 65,000 production forms scanned, Operator name and year registration complete between 1992 and 2007, 20% of wells registered with a licence number between 1992 and 2007. Current project under contract from MNR requires complete well production history between 1992 and 2007.

iii) Digital Data Distribution Summary

- Free on the Library website (well locations, history, status)
- Research by Library staff on a fee basis, with "well card" printouts and well location mapping
- Ontario Digital Base Maps, available to Corporate Members
- Paid data sets (geological formation tops, logging records, and oil/gas/water intervals, monthly production data)
- Geological GIS capabilities, for subsurface mapping
- Client access in the Library (all non-confidential data)
- Digital log capabilities available to clients upon request

NEW INITIATIVES

As directed by the Trustees, it is important to continue the relationship with both the Canadian and Ontario geological surveys and be aware of any such projects such as the existing TGI project to further enhance the availability and type of data available from the OGSRL. Discussions are underway with the Ontario Geological Survey for participation in updating of the Paleozoic bedrock geology map of southern Ontario. Significant improvements to the map rely heavily on data available only from petroleum well records.

The Trust needs to identify and develop new revenue-generating products to offset the expected continued decline in revenue from petroleum well and drilling activity. Discussions have continued with MNR to identify options.

INDUSTRY SUMMARY

Ontario Hydrocarbon and Solution Mining Industry 2007 Economic Survey

Ontario's petroleum and salt solution mining industry includes the following activities:

- Oil exploration and production
- Natural gas exploration and production
- Natural gas underground storage
- Salt solution mining
- Hydrocarbon underground storage associated with the petrochemical refining industry

These activities provide Ontario consumers with the following:

- Storage of natural gas imported to Ontario from sources in Saskatchewan, Alberta and British Columbia by pipeline and held in reserve to supplement times of peak demand. This becomes very important with the switch from coal to natural gas generation of electricity.
- Table salt and industrial salt – Ontario is a net exporter of salt produced from salt solution mining
- Underground storage caverns of product necessary for Ontario's petrochemical refining industry
- A small percentage of Ontario's demand for oil and related products
- A small percentage of Ontario's demand for natural gas

The economic value to Ontario of these activities includes:

- 700 plus people directly employed in exploration, production, storage and salt solution mining in Ontario
- 100 people in Alberta, Michigan, New York and Ohio depend directly on Ontario's petroleum and salt solution mining industry
- Personal total taxable income = $55 million
- Services and goods purchased by the industry = $127 million
- Capital expenditures (in 2007) = $50 million
- Lease payments and royalties paid to land owners = $4 million
- Lease/Land payments to the Crown = $9 million per year
- Municipal Taxes = >$4 million per year
- Industry assets = $650 million
- TOTAL economic value (in 2007) = $900 million

The value of production and storage in Ontario in 2007:

- 107,687 m3 of oil produced = $52.3 million
- 292 million m3 of natural gas = $82.3 million
- 6,900 million m3 of natural gas storage capacity = $2 billion in value
- 3.5 million m3 of hydrocarbon storage capacity = ± $2 billion in value
- Solution Salt Value – no data available

Overall annual value of this industry to Ontario is about $5 billion.

Oil and Gas Exploration and Development Activity in Ontario in 2009

L. Fortner[1] and T. R. Carter[2]

Drilling activity in Ontario in 2009 decreased compared to 2008, with production levels also falling.

The price for light sweet crude oil began 2009 near $40 per barrel, a dramatic drop from the $147 peak in July of 2008. However, it climbed steadily to finish the year slightly over $80 per barrel. The price of natural gas in North America peaked at $13 per MMBtu in July of 2008, but it also rapidly declined thereafter, beginning 2009 at approximately $7.00 per MMBtu. Unlike oil, the slide continued through the first half of 2009, reaching a seven-year low of under $3.00 in August. After a recovery from the extreme low, it ranged between $4.00 and slightly over $6.00 for the remainder of the year. Greatly reduced industrial usage of natural gas during the current recession has resulted in less total gas consumption in North America beginning in mid-2008. In addition to this reduced consumption, new onshore supplies in North America from recently exploited shale gas have contributed to downward pressure on prices.

Production figures compiled from annual production reports submitted to the Petroleum Resources Centre indicate that annual oil production declined 5.6% to 90,535 m3 in 2009 with an estimated value of $38.8 million, compared to 95,875 m3 valued at $62.8 million in 2008.

Natural gas production declined 10% to 238,715 10^3 m^3 with an estimated value of $42.5 million, compared to 265,172 10^3 m^3 valued at $95.3 million in 2008.

The decline in oil and gas production in Ontario is directly related to reduced levels of drilling activity since 2004, such that there is insufficient new production to replace that from existing wells. The value of oil production decreased substantially from 2008 to 2009 as a result of lower crude oil prices which, although high in an historical context, remained subdued throughout 2009 relative to the peak of $147 per barrel seen in July of 2008. The value of natural gas production decreased substantially from 2008 to 2009 as a result of the greatly deflated commodity price.

A total of 46 licences to drill and operate new wells were issued by the Ministry of Natural Resources in 2009, compared to 57 in 2008. An additional 38 licences were issued for plugging of existing wells. Four existing wells were licenced for production as private gas wells. No existing wells were licenced for oil production from historical oil fields.

Drilling of 28 new wells was reported in 2009, compared to 63 wells in 2008. These consisted of 6 exploratory wells, 11 development wells and 11 service wells. The 11 service wells consisted of 8 natural gas storage wells and 3 stratigraphic tests. All 8 of the natural gas storage wells were drilled as horizontals. No other horizontal wells were drilled during the year.

[1]Sedimentary Geologist, Petroleum Resources Centre, Ministry of Natural Resources, London, Ontario

[2]Chief Geologist, Petroleum Resources Centre, Ministry of Natural Resources, London, Ontario

Notes about financial issues:

Please read all financial notes.

Questions Related to the OGSRL:

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Grant Thornton

Financial Statements

Oil, Gas and Salt Resources Trust

December 31, 2009

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Grant Thornton

Auditors' Report

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To the Trustee of
Oil, Gas and Salt Resources Trust

We have audited the balance sheet of the Oil, Gas and Salt Resources Trust as at December 31, 2009 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the organization, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Oil, Gas and Salt Resources Trust as at December 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

London, Ontario
April 26, 2010

Chartered accountants
Licensed Public Accounts

Oil, Gas and Salt Resources Trust
Statement of Earnings

Years Ended December 31	2009	2008
Revenue		
Well licence fees	$ 122,260	$ 116,062
Sample processing fees	17,847	28,209
Ministry of Natural Resources – Emergency Response Program	17,000	29,000
Ontario Geological Survey	45,000	65,300
Labour and clerical	6,480	5,332
Memberships	34,559	33,510
Lab user fees	741	402
Publications and data	54,654	15,842
Interest and foreign exchange	4,139	7,607
	302,680	301,264
Expenses		
Wages and employee benefits	104,514	99,922
Contract and co-op wages	47,565	75,572
Processing supplies	2,586	5,119
Waste and janitorial	6,979	5,666
Sundry	11,696	11,991
Trust management fee	8,750	7,500
Trust services fee	8,750	7,500
Professional fees	9,300	7,253
Office expenses	7,408	7,611
Postage and telephone	3,945	3,640
Insurance	3,787	3,572
Travel	393	3,102
Rent	55,407	45,250
Bad debt expense	-	2,912
Amortization	4,515	3,908
	275,595	290,518
Earnings before allocation	27,085	10,746
Allocation to the Province of Ontario	(27,085)	(10,746)
Net earnings	$ -	$ -

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Retained Earnings

Years Ended December 31	2009	2008
Retained earnings, beginning of year	$ -	$ -
Net earnings (Page 2)	-	-
Retained earnings, end of year	$ -	$ -

See accompanying notes to financial statements.

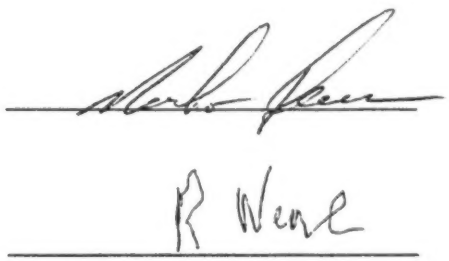
Oil, Gas and Salt Resources Trust
Balance Sheet

As At December 31

	2009	2008
Assets		
Current Assets		
Cash	$ 11,590	$ 39,540
Investments held for trading	217,014	148,270
Accounts receivable	144,935	147,367
Inventory of supplies	3,700	5,333
Prepaid expenses	5,421	12,274
	382,660	352,784
Capital Assets (Note 5)	11,520	14,244
	$ 394,180	$ 367,028
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 9,444	$ 8,013
Unearned revenue	10,777	11,936
Payable to the Province of Ontario	373,959	347,079
	394,180	367,028
Equity		
Retained Earnings (Page 3)	-	-
	$ 394,180	$ 367,028

Commitments (Note 6)

On behalf of the Trustee



See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Cash Flows

Years Ended December 31	2009	2008
Increase (decrease) in cash		
Operating activities		
Cash received from customers	$ 299,814	$ 297,362
Cash payments to suppliers for goods and services	(107,146)	(116,995)
Cash payments to employees	(152,760)	(176,111)
Interest received	4,139	7,607
	44,047	11,863
Investing activities		
Purchase of capital assets	(1,791)	(9,770)
Purchase of investments held for trading	(365,000)	(730,000)
Proceeds on the redemption of investments held for trading	294,794	731,592
	(71,997)	(8,178)
Change in cash	27,950	3,685
Cash, beginning of year	39,540	35,855
Cash, end of year	$ 11,590	$ 39,540

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Notes to the Financial Statements
December 31, 2009

1. Nature of operations

Pursuant to the Oil, Gas and Salt Resources Act, R.S.O 1990, the Trust was formed by the Ontario Ministry of Natural Resources. A trust agreement, dated February 16, 1998, was signed with the original trustee, the Ontario Oil, Gas and Salt Resources Corporation. The purpose of the Trust is to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. Pursuant to the trust agreement, the net assets of the Trust accrue to the benefit of the Province of Ontario. The monetary value of this entitlement is reflected within current liabilities as "Payable to the Province of Ontario."

2. Summary of significant accounting policies

(a) Revenue recognition

Fees and other revenue received in advance are deferred and recognized as income at the time the related expenditures are incurred. Members' fees as set by the Board of Directors are recognized as revenue on a straight line basis over the term of the membership. Well licensing fees are recognized as revenue on a fiscal year basis. Investment revenue is recognized within the month in which it is earned.

(b) Cash

Cash includes cash on hand, balances with banks, net of outstanding cheques.

(c) Investments held for trading

Financial instruments designated as investments held for trading consist of cashable guaranteed investment certificates with Canadian banks and are carried at market value. The weighted average interest rate of the guaranteed investment certificates is 2.16% (3.04% as at December 31, 2008). Investments held for trading are measured at fair value at each reporting date and any unrealized gains or losses are recognized in net earnings for the period in which they arise.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred.

(e) Amortization

It is the Trust's policy to provide for amortization of capital assets on the following basis:

Furniture and fixtures	20% declining balance
Computer hardware	3 years, straight-line
Computer software	100%

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Revenues and expenses are recorded at average rates of exchange. Translation gains and losses are included in earnings

(g) Use of estimates

In preparing the Trust's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(h) New accounting standards

Effective January 1, 2009, the Trust adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1400 "Financial Statement Presentation." This Section establishes standards for financial statement presentation. This Section was amended to require management to disclose any uncertainties that cast significant doubt upon the entity's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate management must take into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date.

The adoption of this standard did not have any impact on the financial statements.

3. Financial instruments

(a) Fair value of financial instruments

The Trust has classified their financial instruments as follows:

1. cash as held for trading (measured at fair value through the statement of earnings)
2. receivables as loans and receivables (measured at amortized cost using the effective interest method)
3. investments as held for trading (measured at fair value through the statement of earnings)
4. payables and accruals as other financial liabilities (measured at amortized cost using the effective interest method)

Fair values are based on quoted market values where available from active markets.

(b) Financial risk

The Trust is exposed to financial risk with respect to foreign exchange rates and the degree of volatility of these rates. The Trust does not use derivative instruments to reduce its exposure to foreign currency risk.

3. Financial instruments (continued)

(c) Credit risk

The Trust is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Trust's customer base, which covers different consumer and business sectors. The Trust maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

4. Related party transactions

During the year the Trust participated in the following related party transactions, with its trustee:

(a) Trust service fees were paid in the year totalling $8,750 ($7,500 in 2008); and
(b) Trust management fees were paid in the year totalling $8,750 ($7,500 in 2008).

These transactions were in the normal course of operations and are measured at the exchange value as agreed upon by the related parties.

5. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Furniture and fixtures	$ 32,534	$ 28,152	$ 4,382	$ 5,475
Computer hardware and software	34,457	27,319	7,138	8,769
	$ 66,991	$ 55,471	$ 11,520	$ 14,244

6. Commitments

The Trust leases office equipment and premises under operating leases, which will expire on varying dates in 2011. The minimum annual payments due under these leases are as follows:

2010	$ 60,604
2011	15,439
	$ 76,043

7. Prior period adjustment

An error was discovered in 2009 relating to the wells licensing fee revenues recognized in 2008. The Trust records wells licensing revenues based on the fees paid up to February of the following fiscal year. In 2008, wells licensing fees for a particular customer were recorded as paid in February of 2009 in excess of the actual amount by $14,457. As a result, the 2008 comparative figures for accounts receivable, the amount payable to the Province of Ontario, the well license fee revenues and the allocation to the Province of Ontario have been restated to reflect the retroactive correction of this error.

7. Prior period adjustment (continued)

The financial statement effects of this error on December 31, 2008 comparative figures are as follows:

Decrease in accounts receivable	$ 14,457
Decrease in the amount payable to the Province of Ontario	$ 14,457
Decrease in well license fees	$ 14,457
Decrease in the allocation to the Province of Ontario	$ 14,457

8. Capital management

The capital structure of the Trust consists of funds received from members and service activities. The primary objective of the Trust's capital management is to maintain sufficient resources to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. The Trust is meeting its objectives by ensuring funds generated are utilized in accordance with the specific activities it has been given responsibility for. The Trust has no externally imposed capital requirements.

Grant Thornton

Financial Statements
(Unaudited)

Ontario Oil, Gas and Salt Resources Corporation

December 31, 2009

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Grant Thornton

Notice To Reader

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To the Shareholder of
Ontario Oil, Gas and Salt Resources Corporation

On the basis of information provided by management, we have compiled the balance sheet of Ontario Oil, Gas and Salt Resources Corporation as at December 31, 2009 and the statement of earnings and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Grant Thornton LLP

London, Ontario
April 28, 2010

Chartered accountants
Licensed Public Accountants

Ontario Oil, Gas and Salt Resources Corporation
Statement of Earnings and Retained Earnings

Years Ended December 31	2009	2008
Revenue		
Trustee management fee	$ 8,750	$ 7,500
Trustee service fees	12,016	10,546
	20,766	18,046
Expenses		
Management fees – Ontario Petroleum Institute Inc.	8,750	7,500
Insurance – directors and officers	3,266	3,046
Administration	8,750	7,500
	20,766	18,046
Net earnings	$ -	$ -
Retained earnings, beginning of year	$ -	$ -
Net earnings	-	-
Retained earnings, end of year	$ -	$ -

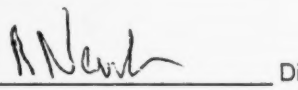
Unaudited
Notice To Reader Appended

Ontario Oil, Gas and Salt Resources Corporation
Balance Sheet

As At December 31	2009	2008
Assets		
Current Asset		
Cash	$ 1	$ 1
Shareholder's Equity		
Share Capital		
Authorized:		
1 Common share		
Issued:		
1 Common share	$ 1	$ 1

On behalf of the Board

Director


Director

Unaudited
Notice To Reader Appended